

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2000-680

December 28, 2000

NORTHERN UTILITIES, INC.,
Proposed Cost of Gas
Factor for the 2000/2001
Winter Period – Mid-Course Correction

ORDER

Welch, Chairman; Nugent and Diamond, Commissioners

I. SUMMARY

We approve Northern Utilities, Inc.'s (Northern) proposed mid-course Cost of Gas Factor (CGF) correction of \$0.0863 per Ccf for the period January through April 2001. We also direct Northern to file comments by January 19, 2001 on whether it should offer its customers options such as fixed price contracts designed to mitigate the impact of natural gas market price volatility.

II. PROCEDURAL HISTORY

On December 11, 2000, Northern Utilities, Inc. (Northern) filed an application pursuant to 35-A M.R.S.A. § 4703 and Chapter 430(2)(D) of the Commission's Rules (65-407 C.M.R. 430) for a mid-course correction of its cost of gas factor (CGF) to be effective January 1, 2001 through April 30, 2001. The Commission must approve all cost of gas adjustments. Northern's proposed revised 2000-2001 winter CGA will result in an increase of 4.03% at the 5 therm consumption level and 8.33% at the 200 therm consumption level for the residential class relative to the rate currently in effect. Other classes typical monthly bills will increase between 7.87% (Commercial and Industrial-Low Use) and 10.49% (Commercial and Industrial High Use).

On December 12, 2000, the Staff held a telephone conference with the parties to this docket, Northern and the Office of the Public Advocate (OPA), to discuss the gas cost information provided in Northern's filing. In addition, Staff asked Northern to provide copies of current radio ad scripts and other information it has developed to assist the public in mitigating the impact of rapidly rising natural gas costs. Northern provided this information as Oral Data Request No. 1 on December 13, 2000.

On December 13, 2000, pursuant to the requirements of 35-A M.R.S.A. § 4703 and Chapter 43 of the Commission's Rules, the Commission issued a Notice of Application for Mid-Course Correction to Winter Cost of Gas Factor to parties in this docket and submitted a notice to newspapers of general circulation in Northern's service area for publication. The notice established a deadline of December 22, 2000 for interested persons to request a hearing in this matter. We received no requests.

Northern submitted additional information regarding its current consumer education and assistance efforts on December 13, 2000.

We deliberated this matter on December 28, 2000.

III. RECORD

The record in this proceeding includes all filings, data responses, transcripts, and any other materials provided in this proceeding.

IV. LEGAL AUTHORITY

Title 35-A of the Maine Revised Statutes Annotated (M.R.S.A.) § 4703 and Chapter 430 of the Commission's Rules require gas utilities to file cost of gas adjustments for Commission approval and establish various legal requirements for such adjustments. Section 4706(8) allows the Commission to "waive or modify the requirements of section 4703 to the extent necessary to promote efficiency, appropriate financial incentives, rate stability or cost recovery."

V. DISCUSSION

Northern projects an under-collection of approximately \$2,498,046, representing approximately 12.8% of its commodity costs and 8.2% of its total gas costs, for this winter period because gas supply prices for the winter period have increased significantly over original projections.

Northern proposes to recover this under-collection over the remaining months of the winter period. Northern did not file any other recovery scenarios due to the limited time available to ensure the change could go into effect for the month of January.

Advisory Staff has reviewed Northern's filing as well as the current changes in the gas commodity market and recommends approval of Northern's proposed CGF increase. The gas commodity costs have increased rapidly during the last month due in part to the early cold weather across the country.¹ We note that the impact of the increase in the commodity price on Northern's rates is mitigated in part by the fact that a large portion of its supply portfolio consists of gas that was purchased earlier in the year at lower prices and placed into storage. Northern must pay market prices for a small part of its portfolio by making ongoing commodity purchases as required by its supply plan.

¹ Examples of recent natural gas market volatility can be seen in the following closing futures prices for January 2001: August 3, 2000 -- \$4.39 (Northern's initial filing); September 18, 2000 -- 5.45 (basis for current CGF); December 6, 2000 -- \$8.4850; December 11, 2000 -- \$9.45; December 12, 2000 -- \$8.20; December 13, 2000 -- \$7.58; December 18, 2000 -- \$8.53.

We find that this correction is warranted because supply price increases are significant. We approve this proposed mid-course correction in order to mitigate and reduce the significant under-collection that would otherwise occur during this winter period. Doing so will avoid the necessity of increasing gas rates in some other period to reconcile Northern's revenue collection and will provide consumers with price signals that reflect actual market conditions.

Staff and the OPA commend Northern for reminding ratepayers that they can establish a level budget payment plan and for urging them to implement conservation measures to assist in meeting unexpected price impacts and seasonal usage variations in gas bills. Northern is currently providing such information to its customers and plans to continue this campaign.

Finally, we direct Northern to comment on the possibility of providing fixed-price contracts, implementing price hedging mechanisms, or other options that would assist customers to mitigate the effects of the volatility of the gas markets. These comments should be filed by January 19, 2001.

IV. CONCLUSION

We approve Northern's proposed 2000-2001 Winter Period CGF mid-course correction based on the Advisory Staff's recommendation.

Accordingly, we

O R D E R

1. That Northern Utilities, Inc.'s proposed revised CGF rates shall take effect for gas consumed on or after January 1, 2001;
2. That Northern Utilities, Inc.'s Thirty-fifth Revised Sheet No. 20.1 constituting its Cost of Gas Factor for the period January 1, 2001 through April 30, 2001, filed on December 12, 2000, is approved; and
3. That Northern Utilities file comments on providing its customers with options to mitigate gas price volatility, such as fixed-price contracts, by January 19, 2001.

Dated at Augusta, Maine, this 28th day of December, 2000.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR:

Welch
Nugent
Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.

